

CUB CROSS EX. 1.0

**The Staff of the Illinois Commerce Commission's Response to North Shore
Gas Company's First Set of Data Requests**

Docket No. 01-0469

September 21, 2001

Question 1.1

Other than the Nicor Gas proceeding (Docket Nos. 00-0620 and 00-0621), has Dr. Schlaf previously testified before a state public utility commission regarding a proposed retail unbundling program?

(a) Please identify each such proceeding or forum in which he provided such testimony, including (i) state public utility commission before which he appeared; and (ii) docket number.

(b) Please provide a copy or transcript of any and all such testimony.

(c) For each such instance, please describe Dr. Schlaf's recommendations.

(d) For each such instance, please describe the state public utility commission's findings or holdings relative to Dr. Schlaf's recommendations, including whether the state public utility commission adopted Dr. Schlaf's recommendations.

(e) Please provide a copy of any and all state public utility commission orders and/or reports in which said commission(s) addressed Dr. Schlaf's testimony.

Response 1.1

a) Dr. Schlaf has testified on behalf of the Staff of the Illinois Commerce Commission in the 1999 Illinois electric delivery services and implementation plan proceedings. These dockets are the following:

Docket Nos. 99-0124, 99-0125, 99-0132 and 99-0133

(Consolidated)

Docket No. 99-0121

Docket Nos. 99-0119 and 99-0131 (Consolidated)

Docket No. 99-0117

Docket Nos. 99-0120 and 99-0134 (Consolidated)

Docket Nos. 99-0122 and 99-0130 (Consolidated)

Docket No. 99-0116

OFFICIAL FILE

I.C.C. DOCKET NO. 01-0469

Cub Cross Exhibit No. 1.0

Witness _____

Date 10/23/01 Reporter TP

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Docket No. 00-0802

Dr. Schlaf also provided testimony on behalf of the Staff of the Illinois Commerce Commission in the following Illinois Commerce Commission dockets in which retail unbundling topics were at issue, to a lesser or greater degree:

Docket No. 98-0210

Docket No. 98-0488

Docket No. 98-0319

Docket No. 97-0513

Docket No. 96-0485

Docket No. 95-0494

Docket No. 95-0435

b) Copies of the testimony for each of the dockets listed in (a) are available from the Chief Clerk of the Illinois Commerce Commission.

c) Dr. Schlaf's recommendations in each of the dockets listed in (a) can be obtained from the testimony submitted by Dr. Schlaf in each docket.

d) The Illinois Commerce Commission's findings relative to each of the recommendations listed in (a) can be obtained from the Commission orders from those dockets.

e) Copies of the orders for each of the dockets listed in (a) are available from the Chief Clerk of the Illinois Commerce Commission.

Witness Responsible: Eric P. Schlaf

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Question 1.2 On page 3 of his direct testimony, Dr. Schlaf stated that experience has shown that non-residential customers desire a single bill.

- a. Please provide all support for this statement.
- b. Is it Dr. Schlaf's testimony that customers desire to receive a single bill from their supplier? Please explain your answer fully and provide all supporting documentation.

Response 1.2: a) The report attached to Dr. Schlaf's testimony stated that, as of Summer 2000 (approximately one year after the electric market opened), approximately 50-93% of electric delivery services customers (depending on the utility) had employed agents, presumably for the purpose of single billing. Evidence from this proceeding and the Nicor Gas Customer Select proceeding, Docket Nos. 00-0620/0621 (Consol.), have shown that a similar percentage of gas transportation customers have employed an agents, who provide single billing services.

- b) Yes. Based on the information discussed in Part (a) of this question, it is evident to Dr. Schlaf that customers desire to receive single bills from their suppliers.

Witness Responsible: Eric P. Schlaf

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Question 1.3

On pages 8-9 of his direct testimony, Dr. Schlaf cited Ms. Egelhoff's testimony as support for the proposition that small volume customers desire to receive a single bill. Does Dr. Schlaf agree that Ms. Egelhoff's testimony also stated that these customers indicated a preference that the single bill be provided by the utility? If not, please explain your answer fully and provide all supporting documentation.

Response 1.3:

Yes. Dr. Schlaf would agree that Ms. Egelhoff's testimony, citing surveys conducted by North Shore's affiliate, Peoples Gas, states that customers would prefer to receive the single bill from the utility. However, Dr. Schlaf notes that customers were not asked other relevant questions, such as whether their opinions would change if their gas suppliers also sold electricity or products or services, so that charges for the other products and services could be combined with gas charges on a single bill, or if the charges on the bill could be reduced if suppliers provided the single bill.

Witness Responsible: Eric P. Schlaf

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Question 1.4 On pages 11-12 of his direct testimony, Dr. Schlaf claimed that North Shore argued that supplier single billing would make it difficult for North Shore to comply with Part 500 of the Commission's rules. Please cite the portion of Ms. Egelhoff's direct testimony that Dr. Schlaf believes supports his assertion.

Response 1.4: Ms. Egelhoff states on lines 226-227 that North Shore's bills must comply with 83 Ill. Admin. Code Part 500. Ms. Egelhoff then states on lines 232-234 that suppliers are not subject to the same requirement. Dr. Schlaf inferred from these statements that North Shore is concerned that it could not guarantee compliance if account agents were permitted to provide single billing services.

Witness Responsible: Eric P. Schlaf

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Question 1.5 On page 12 of his direct testimony, Dr. Schlaf discussed Part 500 of the Commission's rules. Does Dr. Schlaf agree that suppliers need not comply with Part 500 if they were to issue a single bill under the Program? If not, please explain your answer fully and provide all supporting documentation.

Response 1.5: Dr. Schlaf is not aware of a Commission rule compelling gas suppliers to comply with Part 500 of the Commission's rules.

Witness Responsible: Eric P. Schlaf

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Question 1.6: On page 12 of his direct testimony, Dr. Schlaf referenced Part 410 of the Commission's rules. Does Dr. Schlaf agree that in recent amendments to Part 410, the Commission applied its bill format and content requirements to alternative retail electric suppliers? If not, please explain your answer fully and provide all supporting documentation.

Response 1.6: It is Dr. Schlaf's understanding that the recent amendments to Part 410 of the Commission's rules concerning bill formatting and bill content apparently now apply to Alternative Retail Electric Suppliers, as well as electric utilities.

Witness Responsible: Eric P. Schlaf

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Question 1.7: On page 16 of his direct testimony, Dr. Schlaf stated that electric utilities do not provide billing data electronically to billing account agents. Please describe what, if any, efforts the Commission and the Commission Staff are making to require electric utilities to send billing data electronically to billing account agents.

Response 1.7: Staff has raised the question of the provision of electronic billing information with electric utilities in informal meetings. Staff has not yet raised the question in a Commission proceeding. However, Dr. Schlaf notes that most, if not all, electric utilities offer electronic transfer of billing information to Retail Electric Suppliers who provide single billing services under the utilities' single billing tariffs.

Witness Responsible: Eric P. Schlaf

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Question 1.8 On page 17 of his direct testimony, Dr. Schlaf recommended that suppliers have the opportunity to receive billing information electronically for purposes of supplier single billing. Does Dr. Schlaf agree that North Shore should be able to recover from suppliers using the service the costs associated with developing this electronic communications process? If not, please explain your answer fully and provide all supporting documentation.

Response 1.8: Yes. Dr. Schlaf agrees that expenses associated with developing the capability to complete payment transactions electronically might reasonably constitute legitimate expenses associated with the Choices For You program. The Staff's position is that any expenses associated with the Choices For You program should be netted against the savings attributable to the operation of the program.

Witness Responsible: Eric P. Schlaf

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Question 1.9: On pages 17-18 of his direct testimony, Dr. Schlaf listed several questions that should be addressed in a supplier single billing tariff. Please describe how Dr. Schlaf would respond to each of the questions that he raised.

Response 1.9: See the following questions listed in Dr. Schlaf's testimony, and the requested responses.

Question 1: What billing-related information should North Shore furnish to suppliers?

Response 1: North Shore should submit the type of information that electric utilities furnish to suppliers who provide single billing services. Such information includes billing information concerning the Company's distribution charges and that billing determinants that suppliers need to prepare their bills. The Company may also supply bill inserts, safety messages and other notices.

Question 2: Must suppliers present North Shore's billing information in any particular format on the single bill?

Response 2: No. However, the gas utility's charges should be clearly listed on the supplier's bill.

Question 3: May North Shore require suppliers to imprint the North Shore logo on the single bill?

Response 3: No.

Question 4: What "payment options" should be available to suppliers?

Response 4: Suppliers should have two payments options available to them. One option, sometimes called the "Pay As You Get Paid" method, would require suppliers to remit to the utility the amounts received from customers. A second option would allow suppliers to "guarantee" payment of customer bills. Under this option, suppliers would be obligated to pay their customers' bills, regardless of whether they were paid by the customers.

Question 5: How should revenue submitted to the supplier split between the supplier and North Shore?

Response 5: The utility's distribution charges that accrued after a customer became a customer of a particular supplier should be paid first, followed by payment of the supplier's charges.

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Question 6. Can North Shore require suppliers to bill and collect payments for any unpaid bills that are associated with North Shore's sales service?

Response 6: No.

Question 7. Is revenue collected from suppliers applied to a customer's distribution charges only, or can North Shore apply single billing revenue to any outstanding bill that a customer may have?

Response 7: Distribution charges collected from suppliers should be applied to a customer's distribution charges only.

Question 8: Should billing information be sent electronically?

Response 8: Yes.

Witness Responsible: Eric P. Schlaf

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Question 1.10

On pages 20-25 of his direct testimony, Dr. Schlaf recommended that North Shore include a "Standards of Conduct" in its tariff. Failure to comply with the Standards would be a basis for removal from the Program.

Response 1.10

- a. Under Dr. Schlaf's proposal, would North Shore be responsible for determining if an SVT Supplier had failed to comply with the Standards? If not, please explain your answer fully.
- b. Under Dr. Schlaf's proposal, would North Shore be responsible for determining if an SVT Supplier should be removed from the Program for failure to comply with the Standards? If not, please explain your answer fully.
- c. Assume a customer contends that an SVT Supplier has failed to comply with the Standards. Assume further that the SVT Supplier denies the customer's allegations. Under Dr. Schlaf's proposal, how would North Shore determine if the SVT Supplier had failed to comply with the Standards?
- d. Under Dr. Schlaf's proposal, what amount of non-compliance with the Standards would be sufficient for North Shore to remove an SVT Supplier from the Program? Please explain your answer fully.
- e. Under Dr. Schlaf's proposal, what amount of non-compliance with the Standards would require that North Shore remove an SVT Supplier from the Program.
- f. Under Dr. Schlaf's proposal, once an SVT Supplier is removed from the Program, can that SVT Supplier ever re-apply to provide service under the Program? If so, under what criteria? If not, why not? Please explain your answer fully.
- g. Does Dr. Schlaf know whether and to what extent the Illinois Commerce Commission ("Commission") currently has jurisdiction over retail gas suppliers? Please explain your answer fully and provide all supporting documentation.
- h. Under Dr. Schlaf's proposal, could the Commission order North Shore to remove an SVT Supplier from the Program for non-compliance with the Standards? If so, please explain in detail the process by which this could happen. If not, why not? Please explain your answer fully.
- i. If the Commission were to order North Shore to remove an SVT Supplier from the Program, would the Commission or the State of Illinois indemnify North Shore and hold it

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harmless from any claims or actions brought by the SVT Supplier against North Shore? Please explain your answer fully and provide all supporting documentation.

- j. If the Commission were to order North Shore to remove an SVT Supplier from the Program, would the Commission or the State of Illinois indemnify North Shore and hold it harmless from any claims or actions brought by customers of the SVT Supplier against North Shore? Please explain your answer fully and provide all supporting documentation.

Response 1.10:

- a. Yes. However, North Shore could bring to the Commission any information that it obtains concerning a supplier's failure to comply with the tariff and ask the Commission for guidance in the matter.
- b. Yes. However, North Shore could bring to the Commission any information that it obtains concerning a supplier's failure to comply with the tariff and ask the Commission for guidance in the matter.
- c. Dr. Schlaf expects that North Shore should compare its findings concerning the supplier's conduct and use its reasonable judgment in determining whether a supplier had violated the Standards of Conduct.
- d. Conceivably, grounds for dismissal from the program could be as little as failure to comply with only a single provision of the Standards of Conduct. In Dr. Schlaf's judgment, sufficient grounds for a Supplier's dismissal from the program could include a failure to comply with the Standards of Conduct after being given repeated warnings to correct actions that North Shore believed cause the Supplier to be in violation of the Standards.
- e. Grounds for compliance would be failure to take action to correct any identified violations of the Standards of Conduct.
- f. Dr. Schlaf believes that it would be possible for a Supplier to re-apply to participate in the Choices For You program. Presumably, in its application, a Supplier seeking reinstatement would, at a minimum, demonstrate how it intends to comply with the Standards of Conduct.

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- g. Any Commission jurisdiction over retail gas suppliers derives from the Commission's authority under the Public Utilities Act.
- h. Yes. Dr. Schlaf expects that the Commission could order North Shore to remove a supplier from the program for the Supplier's nonconformance with the Standards of Conduct. Presumably, such an action would follow a Commission review of information that North Shore brought to its attention concerning a Supplier's alleged violations of the Standards of Conduct.
- i. Dr. Schlaf cannot predict the Commission's actions. Dr. Schlaf does not expect that either the Commission or the State of Illinois would indemnify North Shore for actions brought by an SVT Supplier against North Shore for its actions in administering its tariff.
- j. Dr. Schlaf cannot predict the Commission's actions. Dr. Schlaf does not expect that either the Commission or the State of Illinois would indemnify North Shore for actions brought by customers of the SVT Supplier for North Shore actions in administering its tariff.

Witness Responsible: Eric P. Schlaf

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Question 1.11 On page 21 of his direct testimony, Dr. Schlaf included proposed tariff language under which a complaint could be filed in connection with the Standards of Conduct. Under Dr. Schlaf's proposal who would be the respondent to the complaint?

Response 1.11: Dr. Schlaf expects that the Company would be respondent to the complaint. That is, a typical complaint would allege that the Company failed to enforce the Standards of Conduct stated in its tariffs.

Witness Responsible: Eric P. Schlaf

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Question 1.12 On page 29 of his direct testimony, Dr. Schlaf stated that North Shore's tariff should allow for internet enrollment. Is it Dr. Schlaf's testimony that North Shore's tariff would prohibit such enrollment? Please explain your answer fully and provide all supporting documentation and tariff references.

Response 1.12: The Company's tariffs appear to be silent on the question of whether suppliers may use Internet to enrollment customers.

Witness Responsible: Eric P. Schlaf

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Question 1.13 On page 29 of his direct testimony, Dr. Schlaf stated that North Shore's tariff should allow for telephone enrollment. Is it Dr. Schlaf's testimony that North Shore's tariff would prohibit such enrollment? Please explain your answer fully and provide all supporting documentation and tariff references.

Response 1.13: The Company's tariffs appear to be silent on the question of whether suppliers may use telephonic enrollment methods.

Witness Responsible: Eric P. Schlaf

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Question 1.14 On pages 30-31 of his direct testimony, Dr. Schlaf opined that North Shore does not appear to send customer notification letters. Please explain why Dr. Schlaf does not believe that the policy described on lines 165-171 of Ms. Egelhoff's direct testimony is consistent with his recommendation.

Response 1.14: Dr. Schlaf agrees that Ms. Egelhoff's testimony states that the Company will send enrollment letters to participating Choices For You customers. However, Staff believes that the Company's tariffs should specify that the Company would follow this policy.

Witness Responsible: Eric P. Schlaf
